

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 1117 - SB 1308**

March 15, 2015

**SUMMARY OF BILL:** Removes current authorization for local education agencies (LEAs) to adopt alternative salary schedules. Requires the state salary schedule to include 20 steps, with a salary increase at each step and five increases for the attainment for advanced degrees. The salaries set for each step of the salary schedule shall be equal to the salaries set forth in the 2012-2013 state salary schedule increased by one and one-half percent. Prohibits the adoption of the state salary schedule to result in the reduction of a teacher's salary who is employed by an LEA at the time the salary schedule is adopted. If the General Assembly approves any increase in state funding for salaries of licensed personnel, then the percentage by which the minimum salary set forth in the Basic Education Program (BEP) formula is raised shall be multiplied by the proportion between the number of teacher units contained with the BEP formula to the actual number of teachers statewide. The resulting percentage shall be applied to each step of the state salary schedule. Authorizes LEAs to provide greater salary increases than what would be required by the state salary schedule. Such salary increases shall be paid for with local funding.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – Not Significant**

**Increase Local Expenditures – Up to \$15,181,000/Permissive**

**Other Fiscal Impact - There will be a reduction in federal grant funds from the federal Teacher Incentive Grant Fund program in the amount of \$30,000,000. This funding is shared by state and local governments. The extent to which such funds would be allocated to local governments cannot be determined.**

Assumptions:

- Changes made to state minimum salary schedule for FY15-16 and subsequent years will not impact the BEP formula.
- LEAs will not be authorized to adopt an alternative salary schedule that is different than the state salary schedule.
- LEAs that are operating with an alternative salary schedule will revise their salary schedules to conform to the new state salary schedule. These revisions will require LEAs to reallocate funding within their expenditures for teacher salary and benefits and funding may also shift from other budget categories such as differentiated pay.

- Tenn. Code Ann. 49-3-306(h) requires all LEAs to adopt and implement differentiated salary schedules to aid in staffing difficult-to-staff subject areas and schools. LEAs reported spending \$15,181,000 in FY14-15 on the implementation of such plans.
- The new state salary schedule will result in LEAs revising their differentiated salary schedules. It is estimated that many LEAs will have to increase local expenditures if they choose to keep their differentiated pay plans' funding at the same rate that it was prior to the introduction of the new state salary schedule. The permissive increase in local expenditures may be up to \$15,181,000.
- Based on information from the Department of Education and federal guidelines relative to the federal Teacher Incentive Grant (TIG) Funds, the adoption of alternative salary schedules is a requirement to receive TIG funds. With the abolishment of LEA alternative salary schedules, the state and local governments will lose a combined \$30,000,000 in TIG funds. TIG funding is spent on state and local education programs. The state awards different LEAs different amounts of TIG funding annually over the life of the grant. As such, it is difficult to break out the decrease to state and local government entities, respectively.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

/msg